

Message Text

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TAGS: ETRD, ICCO, EEC

SUBJECT: COCOA - U.S. PROPOSALS FOR REVISION OF INTER-
NATIONAL COCOA AGREEMENT

REFS: (A) BRUSSELS 22246, (B) STATE 139167

1. APPRECIATE USEEC'S SUGGESTION AS TO MANNER TO PRESENT
USG'S PROPOSALS ON REVISION OF COCOA AGREEMENT TO EC
COMMISSION. FYI - DEPARTMENT HAD CONTACTED EC MISSION IN
WASHINGTON. HOWEVER, OFFICIAL (MRS SNOW) EXPRESSED NO
SUBSTANTIVE INTEREST IN DETAILS OF U.S. IDEAS. END FYI.

2. FOLLOWING IS FULL TEXT U.S. PROPOSALS WHICH SHOULD BE
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PRESENTED TO APPROPRIATE EC OFFICIALS AT EARLIEST POSSIBLE
OPPORTUNITY:

BEGIN TEXT:

THE UNITED STATES PROPOSES THAT THE COCOA AGREEMENT BE
BASED ON AN INTERNATIONAL BUFFER STOCK AS THE ONLY MEANS

OF PRICE STABILIZATION FOR COCOA.

OPERATION OF THE BUFFER STOCK -

A. THE BUFFER STOCK WOULD OPERATE TO STABILIZE PRICES WITHIN A 50 PERCENT RANGE, 25 PERCENT ABOVE AND 25 PERCENT BELOW THE MIDPOINT.

B. BUFFER STOCK PURCHASES WOULD BE MANDATORY IF THE INDICATOR PRICE DROPPED TO 20 PERCENT BELOW THE MIDPOINT OF THE PRICE RANGE AND BUFFER STOCK SALES WOULD BE MANDATORY IF THE INDICATOR ROSE 20 PERCENT ABOVE THE MIDPOINT. AT 25 PERCENT ABOVE OR BELOW THE MIDPOINT OF THE PRICE RANGE, BUFFER STOCK SALES OR PURCHASES WOULD BE TO THE PRESCRIBED BUFFER STOCK LIMITS.

C. AT THE DISCRETION OF THE BUFFER STOCK MANAGER, AND DEPENDING ON HIS VIEW OF THE MARKET TRENDS, THE BUFFER STOCK COULD PURCHASE COCOA IF THE INDICATOR PRICE DROPPED 15 PERCENT BELOW THE MIDPOINT OF THE PRICE RANGE. LIKEWISE AT THE DISCRETION OF THE BUFFER STOCK MANAGER, THE BUFFER STOCK COULD SELL IF THE INDICATOR PRICE ROSE TO 15 PERCENT ABOVE THE MIDPOINT OF THE PRICE RANGE.

D. ALL BUFFER STOCK PURCHASES AND SALES OF COCOA BEANS WOULD BE MADE THROUGH ESTABLISHED COMMERCIAL CHANNELS. LIMITED OFFICIAL USE

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E. THE BUFFER STOCK SHOULD HAVE A MAXIMUM SIZE OF 250,000 METRIC TONS.

F. NET BUFFER STOCK ACCUMULATION SHOULD BE LIMITED TO 100,000 MT IN ANY ONE COCOA YEAR. A SPECIAL MEETING OF THE COUNCIL WOULD BE CALLED BY THE EXECUTIVE DIRECTOR, ACTING ON THE ADVICE OF THE BUFFER STOCK MANAGER, WHEN NET BUFFER STOCK ACCUMULATIONS OR NET DRAWDOWNS EXCEEDED 95,000 MT IN ANY ONE YEAR. THE PURPOSE OF THIS MEETING WOULD BE TO REVIEW AND IF NECESSARY REVISE THE PRICE RANGE, BY A TWO-THIRDS DISTRIBUTED MAJORITY, TO ENSURE THAT IT ACCURATELY REFLECTED MARKET CONDITIONS. THE MEETING COULD ALSO AUTHORIZE THE BUFFER STOCK MANAGER TO EXCEED THE 100,000 METRIC TON LIMIT ON NET BUFFER STOCK ACCUMULATIONS OR DRAWDOWNS IN ANY ONE COCOA YEAR WITHIN LIMITATIONS AUTHORIZED BY THE COUNCIL.

G. PROVISIONS REGARDING THE FINANCING OF BUFFER STOCK OPERATIONS AND OWNERSHIP OF BUFFER STOCK ASSETS SHOULD BE EXAMINED IN LIGHT OF THE AGREEMENT'S RELIANCE ON A BUFFER STOCK FOR INTERNATIONAL PRICE STABILIZATION.

H. THE COUNCIL SHOULD ESTABLISH AN ECONOMIC CONDITIONS AND INVESTMENT COMMITTEE, CONSISTING OF AN EQUAL NUMBER OF EXPORTING MEMBERS AND IMPORTING MEMBERS BUT OPEN TO THE PARTICIPATION OF ALL MEMBERS. THE COMMITTEE WOULD: UNDER-TAKE DETAILED ANALYSIS OF FACTORS AFFECTING SUPPLY/DEMAND AND PRICE, INCLUDING POLICIES AND REGULATIONS OF MEMBER GOVERNMENTS, IN ORDER TO ASSURE ADEQUATE RETURNS TO GROWERS AND AN EXPANDING MARKET; MAKE RECOMMENDATIONS TO THE COUNCIL DURING ALL REVIEWS OF THE PRICE RANGE AND AT SUCH OTHER TIMES IT DEEMS APPROPRIATE; AND OVERSEE THE OPERATIONS OF THE BUFFER STOCK MANAGER, INCLUDING HIS RELATIONS WITH FINANCIAL MARKETS.

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PRICE RANGE -

THE COUNCIL WOULD BE AUTHORIZED TO PERIODICALLY REVIEW AND, IF APPROPRIATE, ADJUST THE PRICE RANGE IN THE AGREEMENT, BUT WOULD BE REQUIRED TO REVIEW THE PRICE RANGE AT LEAST ONCE EVERY TWO YEARS. WHEN REVIEWING THE PRICE RANGE, THE COUNCIL SHOULD CONSIDER THE RECOMMENDATIONS OF THE ECONOMIC CONDITIONS AND INVESTMENT COMMITTEE. A CHANGE IN THE PRICE RANGE WOULD BE BY TWO-THIRDS DISTRIBUTED MAJORITY. END TEXT. VANCE

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